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UPPER CANADA MINES LIMITED

37TH ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31ST 1966

UPPER CANADA MINES LIMITED

REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 31st DECEMBER, 1966

DIRECTORS

THOS. J. DAY, Q.C.

J. W. McBEAN

J. A. W. BROWN

J. H. BOTSFORD

E. T. DONALDSON

G. F. DAY

K. H. LARKIN

OFFICERS

THOS. J. DAY, Q.C., *President*

J. W. McBEAN, *Vice-President and Managing Director*

K. H. LARKIN, *Secretary-Treasurer*

TRANSFER AGENTS

CROWN TRUST COMPANY, Toronto, Ont.

BANKERS TRUST COMPANY, New York, N.Y.

AUDITORS


CLARKSON, GORDON & Co., Toronto, Ont.

HEAD OFFICE

250 University Avenue, Toronto, Ont.

MINE OFFICE

Dobie, Ontario.



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UPPER CANADA MINES LIMITED

Report of the Directors

TO THE SHAREHOLDERS:

The year 1966 has been for your Company both satisfactory and successful. Despite the increase in costs brought about in large measure by rising labour charges, our net annual profit was only slightly down from last year's record performance. It is gratifying to note that our current assets have increased by \$593,000.00 from \$673,000.00 in 1965 to \$1,266,000.00 in 1966, while our current liabilities have only increased by \$154,000.00. Of this increase in current assets the sum of \$219,000.00 resulted from repayment by Bankeno Mines Limited of the total amounts advanced to that Company by Upper Canada.

You will find enclosed herewith the Statutory Information Circular which will give much more detailed information to our shareholders than has been customary in the past.

Your Company has continued during the past year and is still continuing to mine and mill from its subsidiary Upper Beaver Mines Limited as much gold and copper as is economically feasible, which has enabled Upper Canada to maintain our known gold ore reserves.

As I explained to the shareholders in my Report of last year, we embarked on a very extensive exploration effort to explore unknown territory approximately 4,000 feet to the West of the No. 1 Shaft. It was most gratifying to the officers and mining staff when this long drive entered ore. The details of this underground development are continued in Mr. Botsford's Report enclosed herewith.

With reference to the operations at Upper Beaver we can still report to you that the ore reserves are being more than maintained. We have now de-watered that mine to the 1,250 foot level. Much work is required to evaluate the lower levels because these levels are some distance north of the projected ore we have been mining on the upper levels. Owing to the serious labour shortage, it is impossible to rush this development work and keep our costs within reason.

Upper Beaver, your wholly owned subsidiary, has obtained an option to purchase a group of adjoining properties on which surface geophysical work is being carried out. There are no surface indications of ore on these properties, but our geological staff feels that the results obtained on Upper Beaver itself warrant making use of the opportunity to carefully examine these adjacent properties.

With reference to our holdings in Bankeno Mines Limited, the results obtained in the past year by Cominco were most encouraging. We enclose for your perusal a copy of the Annual Report to the Shareholders of Bankeno which we suggest will be of interest to our shareholders in view of the very substantial shareholdings in Bankeno held by your Company.

It has again been arranged that the Bankeno annual general meeting of shareholders will be held immediately following that of Upper Canada, and the Upper Canada shareholders are invited to remain as listeners at this Bankeno meeting.

With reference to our property in Lebel Township, Labrador Exploration (Ontario) Limited has under our agreement with them already expended approximately \$300,000.00 and is still carrying on a sizable development campaign. Our geologist advises that the structures on this property have mining potential; however, no substantial ore tonnage has been developed although encouraging assays are obtained from time to time.

I wish to again express my appreciation to the entire staff at the Mine who have so successfully maintained operations at both Upper Canada and Upper Beaver, while at the same time carrying on further extensive and important development work. I also wish to express my appreciation to my fellow directors for their support and assistance during the year.

T. J. DAY,
President.

Toronto, Ontario,
May 30th, 1967.

UPPER CANADA

(Incorporated under
and its subsi

UPPER BEAVER

Consolidated

December

(with comparative figures)

ASSETS

	1966	1965
CURRENT:		
Cash	\$ 323,568	\$ (6,893)
Guaranteed investment certificates	100,000	
Bullion on hand and in transit at net realizable value	148,970	147,765
Concentrate at smelter and in transit, at estimated net amount receivable less advances received	219,191	156,399
Accounts receivable	26,999	15,662
Emergency Gold Mining Assistance receivable	424,758	331,507
Prepaid expenses	22,445	28,532
	<u>1,265,931</u>	<u>672,972</u>
INVESTMENTS, at cost:		
Subsidiary companies — partly owned —		
Shares (unlisted)	17,441	6,941
Advances	22,934	30,350
Other mining companies —		
Shares (market value 1966 — \$1,023,400; 1965 — \$652,300)	678,600	653,850
Advances	20,361	263,310
	<u>739,336</u>	<u>954,451</u>
FIXED, at cost:		
Buildings and equipment	2,551,541	2,507,840
Less accumulated depreciation	2,346,048	2,258,430
	205,493	249,410
Mining properties	488,552	488,552
Real estate	43,141	43,141
	<u>737,186</u>	<u>781,103</u>
OTHER:		
Deposit with the Hydro-Electric Power Commission of Ontario, at cost plus accrued interest	14,083	14,083
Mining and milling supplies at cost	259,358	247,656
Shaft sinking, at cost less amortization	143,544	173,065
Pre-production expenses, at cost less amortization	36,023	72,046
Special refundable tax	15,400	
	<u>468,408</u>	<u>506,850</u>
	<u>\$3,210,861</u>	<u>\$2,915,376</u>

AUDITORS

To the Shareholders of

UPPER CANADA MINES LIMITED:

We have examined the consolidated balance sheet of Upper Canada Mines Limited and its subsidiary company Upper Beaver Mines Limited as at December 31, 1966 and the statements of consolidated profit and loss, consolidated earned surplus, and consolidated source and application of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

MINES LIMITED

(In accordance with the laws of Ontario)

Primary company

MINES LIMITED

Balance Sheet

As at December 31, 1966

(Consolidated with subsidiaries as at December 31, 1965)

LIABILITIES

	1966	1965
CURRENT:		
Accounts payable and accrued charges	\$ 252,895	\$ 254,746
Mining tax payable	22,000	4,500
Deferred royalty	138,566	
	<u>413,461</u>	<u>259,246</u>
Shareholders' equity:		
Capital —		
Authorized: 3,500,000 shares of \$1.00 each		
Issued and fully paid:		
3,499,827 shares	3,499,827	3,499,827
Less discount on shares	<u>2,329,928</u>	<u>2,329,928</u>
	1,169,899	1,169,899
Paid in surplus	75,227	75,227
Earned surplus	<u>1,552,274</u>	<u>1,411,004</u>
	<u>2,797,400</u>	<u>2,656,130</u>

On behalf of the Board:

T. J. DAY, Director.

J. W. McBEAN, Director.

Note: The accounts of the partly owned subsidiaries have not been consolidated with those of the parent company as their assets and liabilities are not significant.

\$3,210,861 \$2,915,376

REPORT

In our opinion the aforementioned consolidated financial statements present fairly the financial position of the companies as at December 31, 1966, the results of their operations and the source and application of their funds for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
March 16, 1967.

CLARKSON, GORDON & CO.,
Chartered Accountants.

UPPER CANADA MINES LIMITED

and its subsidiary company

UPPER BEAVER MINES LIMITED

Statement of Consolidated Profit and Loss

For the Year Ended December 31, 1966
(with comparative figures as at December 31, 1965)

	1966	1965	
Tons of ore milled	208,033	195,416	
Revenue from metal sales	\$3,232,272	\$2,644,059	Per ton
Less smelter charges, freight and marketing charges	163,737	83,823	ore milled
	3,068,535	2,560,236	\$ 13.53
			.43
			13.10
EXPENDITURES:			
Ore transportation	32,976	36,050	
Exploration	127,695	102,741	
Development	428,082	293,791	
Mining	1,545,828	1,339,660	
Milling	329,816	286,343	
General mine office expenses	201,175	161,874	
Administration and head office expenses	140,091	135,457	
(directors' fees, 1966 — \$75; 1965 — \$100)	2,805,663	2,355,916	
	490,000	453,741	
Less Emergency Gold Mining Assistance	2,315,663	1,902,175	9.73
	752,872	658,061	3.37
OTHER INCOME:			
Rental income	12,500	2,483	.01
Investment income	9,402	660,544	3.38
	774,774	1,991	.01
	20,176		
Deduct Ontario Mining Tax	754,598	658,553	3.37
Net profit before the following:			
Depreciation	87,618	106,864	
Amortization of shaft sinking costs	119,674	115,813	
Amortization of pre-production expenses	36,023	36,023	
Provision for royalty	138,566	258,700	1.32
Net profit for the year	\$ 372,717	\$ 399,853	\$ 2.05

UPPER CANADA MINES LIMITED
and its subsidiary company
UPPER BEAVER MINES LIMITED

Statement of Consolidated Source and Application of Funds

For the Year Ended December 31, 1966

(with comparative figures for the year ended December 31, 1965)

	<u>1966</u>	<u>1965</u>
Funds were obtained from:		
Operations —		
Net earnings	\$ 372,717	\$ 399,853
Expenses not requiring a current cash outlay:		
Depreciation	87,618	106,864
Amortization of shaft sinking costs	119,674	115,813
Amortization of pre-production expenses	36,023	36,023
Recovery of long term advances	252,766	
	<u>868,798</u>	<u>658,553</u>
Funds were applied to:		
Pay dividends	209,990	209,990
Shaft sinking	90,153	112,589
Purchase fixed assets	43,701	66,819
Make advances to other mining companies	2,400	29,997
Purchase shares in mining companies	35,250	
Pre-production expenses		25,362
Explore outside properties	21,457	22,733
Increase mining and milling supplies inventory	11,703	7,315
Pay special refundable tax	15,400	
	<u>430,054</u>	<u>474,805</u>
Increase in working capital	438,744	183,748
Working capital at beginning of year	413,725	229,977
	<u>\$ 852,469</u>	<u>\$ 413,725</u>

Statement of Consolidated Earned Surplus

December 31, 1966

(with comparative figures at December 31, 1965)

	<u>1966</u>	<u>1965</u>
Balance January 1	\$1,411,004	\$1,253,311
Add net profit for year	372,717	399,853
	<u>1,783,721</u>	<u>1,653,164</u>
DEDUCT:		
Dividends paid	209,990	209,990
Outside exploration	21,457	22,732
Advance to mining company written off		7,768
Organization expenses written off		1,670
	<u>231,447</u>	<u>242,160</u>
Balance December 31	<u>\$1,552,274</u>	<u>\$1,411,004</u>

UPPER CANADA MINES LIMITED

General Manager's Report

Mr. T. J. Day, President,
UPPER CANADA MINES LIMITED,
250 University Avenue,
Toronto 1, Ontario.

Dobie, Ontario,
May 23, 1967.

Dear Sir:

This report, covering operations for the twelve months ending December 31, 1966, is submitted for your approval. Major items are as follows:

The net value of metals produced from the Upper Canada and Upper Beaver Mines was \$3,068,535.00. An additional \$490,000.00 was receivable from Cost Aid, making a total revenue of \$3,558,535.00, compared with \$3,013,976.00 in the previous year.

A total of 208,033 tons were handled, 12,617 tons higher than in 1965. The Upper Canada Mine produced 147,636 tons, grading \$12.34 in gold; the Upper Beaver Mine produced 60,397 tons, grading \$11.61 in gold and 1.14% copper.

SUMMARY OF METALS PRODUCED AND SOLD

	Gold Oz.	Silver Oz.	Copper Lbs.
Upper Canada Mine	47,723.79	13,598.92	—
Upper Beaver Mine	19,014.12	6,373.66	1,336,185
Total	66,737.91	19,972.58	1,336,185

UPPER CANADA MINE:

The results of the deep drilling below the 1,750 ft. level "C" zone have been confirmed by drifting on the 2,750 ft. level, where 466 ft. of ore averaging \$10.29 over 5.8 ft., has been developed. Diamond drilling to outline this zone above and below this level is now underway.

Drifting on the "L" zone on the 4,950, 5,250 and 5,550 ft. levels was in average "L" zone ore. The first 500 ft. of the main "L" zone tested on the 6,150 ft. level was unproductive but considerable gold mineralization and some ore is now being encountered. This may indicate a flattening of the eastward plunge of the orebodies, a repetition of "L" zone structural conditions found on the 1,750 ft. level. Some 2,000 ft. of favorable ground to the east remains to be explored.

Development footages and production by levels are tabulated below.

Development and Production Summary 1966

Ore Reported @ \$35.00 Gold:

Level	Lineal Ft. Drifting	Ore Developed by Drifting			Tons Milled from Lateral Development		
		Length Feet	Width Feet	Est. Stope Grade	Tons	Grade	Value
125	18.0						
1875	76.0				49	\$ 13.24	\$ 649.00
2000	28.0				149	4.65	693.00
2750 C	968.5	466.0	5.8	\$ 10.29	3,762	9.74	36,630.00
H	21.0						
Dr. W	1,024.0						
2900	57.5						

Level	Lineal Ft. Drifting	Ore Developed by Drifting			Tons Milled from Lateral		
		Length Feet	Width Feet	Est. Stope Grade	Tons	Development Grade	Value
3200 -----	227.0				178	4.49	799.00
3475 -----	31.0						
4225 -----	66.5				168	8.33	1,400.00
4950 -----	384.0	239.0	6.2	12.97	1,494	10.57	15,794.00
5100 -----	452.5	189.0	6.0	8.49	1,421	7.02	9,979.00
5250 -----	696.5	280.0	5.3	10.46	1,561	10.77	16,823.00
5400 -----	35.5				217	7.46	1,620.00
5550 -----	722.5	115.0	5.3	13.40	1,238	13.97	17,295.00
5700 -----	233.0				722	16.04	11,587.00
6150 -----	956.0				189	5.92	1,119.00
Total -----	5,997.5	1,289.0	5.7	\$ 10.84	11,148	\$ 10.26	\$114,388.00

Development Footages

	No. 1 Shaft
Crosscuts and Stations -----	1,391.3
Drifts -----	5,997.5
Raises -----	2,517.5
Diamond Drilling — Surface -----	—
Underground -----	26,918.0

Mine Production

	Tons	Grade	Value
Surface — 1750 -----	—	—	—
1750 - 2750 -----	11,158	\$ 9.25	\$ 103,238.00
2750 - 3625 -----	35,982	8.44	303,553.00
3625 - 4800 -----	85,520	14.62	1,249,925.00
4800 - 6150 -----	14,976	11.01	164,856.00
Total Mine -----	147,636	\$ 12.34	\$ 1,821,572.00

UPPER BEAVER MINE:

Intensive exploration of the levels above the 500 ft. horizon has continued to find new orebodies. While many of these are small, the overall result is that developed ore reserves have been more than maintained.

A hoisting plant was installed on the internal shaft, the mine de-watered to the bottom, or 1,250 ft. level, and exploration and development of the mine below the 500 ft. level is now underway. First drifting results in the vicinity of the old stoping areas are encouraging.

In 1965 the mine was operated as a gold mine, with gold accounting for more than 70% of production. In 1966, due to rising copper prices and an increase in copper grade of ore developed, the mine was operated as a copper mine. The revenue per ton, \$20.88, without Cost Aid, was higher than in the previous year. This policy is continuing in 1967.

Development footages and production by levels are tabulated below.

Development and Production Summary 1966

Ore Reported @ \$35.00 Gold:

Level	Lineal Ft. Drifting	Length Feet	Width Feet	Ore Developed by Drifting		Tons Milled from Lateral		
				Est. Stope Grade		Development Grade		
				Au.	% Cu.	Tons	Au.	% Cu.
80 -----	327.0	265.0	3.7	\$ 9.45	1.28	922	\$ 7.71	0.66
200 -----	776.3	406.0	5.2	8.75	1.36	2,807	8.08	1.28
350 -----	658.2	355.0	3.6	9.45	0.55	1,840	6.24	0.48
500 -----	903.2	471.0	4.6	4.20	2.14	2,908	5.88	1.71
Total -----	2,664.7	1,497.0	4.4	\$ 7.35	1.36	8,477	\$ 6.89	1.19

Development Footages

Crosscuts and stations	1,288.4
Drifts	2,664.7
Raises	224.5
Shaft Raise	20.0
Diamond Drilling — Surface	—
Underground	26,278.5

Mine Production

Level	Tons	Grade	
		Au.	% Cu.
80	19,291	\$ 14.62	1.23
200	17,402	11.01	0.90
350	11,353	10.31	0.83
500	12,255	8.90	1.64
Bins	96	11.76	1.13
Total	60,397	\$ 11.61	1.14

MILLING:

The Upper Canada gold circuit averaged 404.5 tons per day with a recovery of 92.74%.

Output of the Upper Beaver flotation circuit increased from 128.1 to 165.5 tons per day. It produced 2,636 dry tons of concentrate, grading 6.59 oz. per ton gold, 2.4 oz. per ton silver, and 25.34% copper. Cyanidation of the flotation tailings in the Upper Canada circuit yielded 1,652 ounces gold. The recovery was 96.55% of the gold and 96.84% of the copper.

OUTSIDE EXPLORATION:

As the result of a previous airborne electro-magnetic survey in the area adjacent to the Upper Canada Mine, groups of claims covering anomalies were acquired by staking or option. Three holes, totalling 1,496 ft. of drilling, failed to disclose anything of importance and the properties were allowed to lapse.

Twenty-three properties were investigated during the year, none of which warranted further exploration.

A group of claims adjoining the Upper Beaver property to the east were optioned by Upper Beaver and are being tested by ground geophysical survey during the current year.

GENERAL:

Operating costs are higher than in 1965. This increase is mainly due to the substantial wage increase granted in November of that year.

Labour continued to be in very short supply. While production itself has not been affected, development and construction programmes were behind schedule.

The support and co-operation of yourself, the Directors, the Mine Staff and employees is gratefully acknowledged.

Yours faithfully,

J. H. BOTSFORD,
General Manager.

UPPER CANADA MINES LIMITED

Production and Dividend Record

since beginning of milling operations
October 28/38 to December 31/66

Year	Tons Milled	Tons/Day	Net Value of Production	Net Profit	Dividends Paid	Dividends per Share
			\$	\$	\$	\$
1939	20,096	109	220,547	19,631	—	—
1940	53,178	146	807,308	295,559	—	—
1941	70,998	194	1,191,676	500,906	266,670	.09
1942	73,220	200	1,194,274	427,126	414,821	.14
1943	87,423	239	1,440,301	472,620	296,301	.10
1944	68,033	186	1,031,332	239,661	296,301	.10
1945	80,731	221	993,197	163,090	222,227	.07½
1946	87,591	240	1,055,149	172,864	155,948	.05
1947	101,899	279	1,082,534	130,113	163,742	.05
1947*	75,094	306	823,143	141,639	163,743	.05
1948	110,279	326	1,278,034	226,219	163,744	.05
1949	120,896	328	1,327,814	158,313	163,744	.05
1950	138,969	381	1,497,195	247,274	163,744	.05
1951	151,568	415	1,560,590	264,872	163,744	.05
1952	177,468	485	1,680,446	193,181	163,744	.05
1953	182,883	501	1,620,981	197,041	130,993	.04
1954	196,978	539	1,605,082	212,438	147,368	.04½
1955	200,257	548	1,592,249	189,791	163,744	.05
1956	191,110	522	1,512,246	159,815	81,872	.02½
1957	193,067	529	1,657,582	109,402	65,496	.02
1958	194,638	533	1,620,734	115,823	65,496	.02
1959	200,773	550	1,763,446	132,859	82,668	.02½
1960	207,915	568	1,842,510	121,132	104,994	.03
1961	205,404	563	2,124,891	223,285	174,991	.05
1962	203,057	562	2,270,426	351,831	209,989	.06
1963	203,272	557	2,098,935	307,555	209,989	.06
1964	203,966	557	2,228,057	362,870	209,989	.06
1965**	195,416	548	2,560,235	399,853	209,989	.06
1966**	208,033	570	3,068,535	372,717	209,989	.06
	4,215,212		\$44,749,449	\$6,909,489	\$4,702,296	\$ 1.46

* Fiscal Year changed from April 30th to December 31st

** Including Upper Beaver

UPPER CANADA MINES
LIMITED

37TH ANNUAL REPORT

1966